

AFTA Insolvency Chargeback Scheme Limited

Annual Report 2020



Gow-Gates Mutual Management Pty Ltd

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TABLE OF CONTENTS

TABLE OF CONTENTS	2
COMPANY DETAILS.....	3
Registered Office	3
Mutual Manager	3
Auditor.....	3
Board of Directors	3
ANNUAL REPORT	4
Declaration	4
MUTUAL MANAGER'S REPORT.....	4
Covid-19 Response	4
Financial Results	4
Operational Report	5

COMPANY DETAILS

Registered Office

c/o Gow-Gates Mutual Management
Suite G
2 Geils Court
DEAKIN, ACT 2600

Mutual Manager

Gow-Gates Mutual Management Pty Ltd
Charles Gow-Gates
Level 8, 491 Kent Street
Sydney, NSW 2000

Auditor

DFK Laurence Varnay
Steven Heller
Level 12, 222 Pitt Street
Sydney, NSW 2000

Solicitor

The Fold Legal
Charmian Holmes
Level 3, 231 George Street
Brisbane, QLD 4000

Bank

Macquarie Bank Limited
David Ball
1 Shelley Street
Sydney, NSW 2000

Board of Directors

Mike Thompson
Director

Charles Gow-Gates
Director

Tom Manwaring
Director

ANNUAL REPORT

Declaration

Presented to the Third Annual General Meeting of the AFTA Insolvency Chargeback Scheme Limited t/as AFTA Chargeback Scheme (ACS), Level 8, 491 Kent Street, Sydney, at 9:30am on Thursday, 29 October 2020.

The Board of Directors presents the Annual Report for the activities of ACS for the 12 months ended 30 June 2020 representing the Third Annual Report of ACS as a Company. The report covers the financial year to 30 June 2020.

MUTUAL MANAGER'S REPORT

Covid-19 Response

The Board of Directors met on 17 April 2020 to discuss Covid-19 and certain measures to protect Members in relation to their discretionary protection for 2019/2020 Protection Year, including the management of new member applications, collection of Contributions and the assessment of claims for 2019/2020 Protection Year.

The Board considered the Federal Government's unprecedented action of restricting travel overseas and domestically for all Australians:

- (i) On 25 March 2020, the travel advisory was that non-essential domestic and overseas travel must be avoided and social distancing was to apply, except for seasonal workers travelling between urban and regional areas.
- (ii) On 7 April 2020, all overseas travel was banned with few exceptions. Most state governments also closed their borders.

Further, on 23 March 2020, the Federal Government announced a six month suspension of insolvent trading laws as part of the relief to provided to businesses affected by the covid-19 shutdown. This is not a moratorium on normal debt recovery processes but it will present significant challenges for ACS in managing the exclusion of insolvent suppliers and making recoveries against them where protection claims are paid.

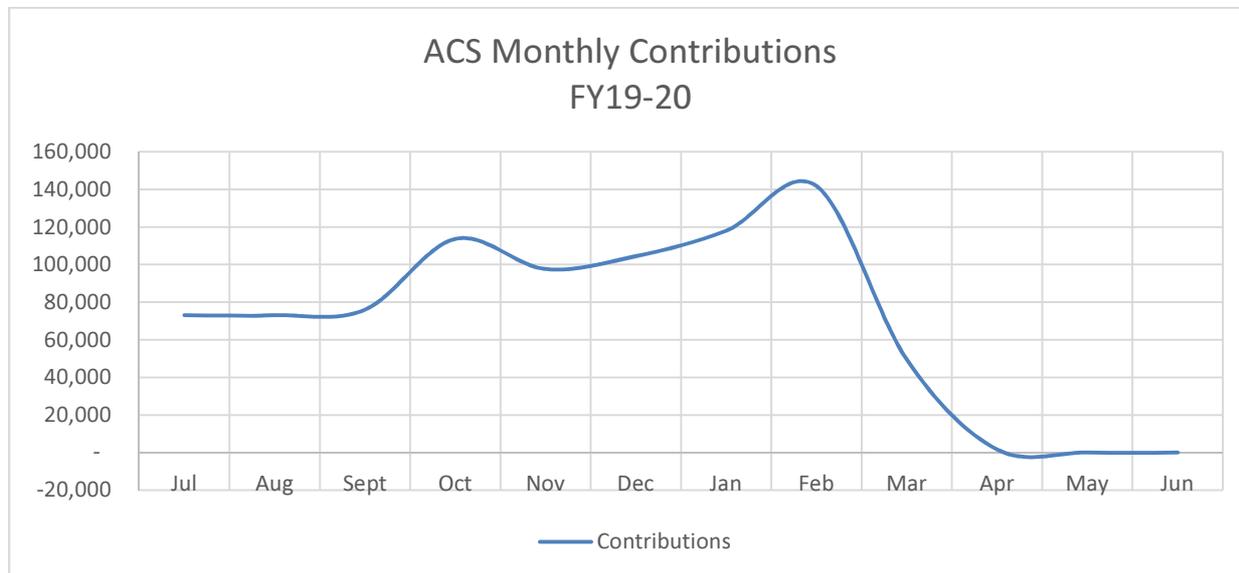
The Board determined that the impact of the covid-19 pandemic, social distancing and travel restrictions for Members will likely result in a significant number of claims by members including reversed credit card transactions for forward travel bookings and refunds due to insolvent suppliers. Accordingly, on 22 April 2020, ACS adopted by-laws to suspend new memberships and protection and to ring-fence Covid-19 claims for assessment in January 2021. This has impacted ACS financially and operationally.

Financial Results

The Board of Directors hereby report on the financial operations of ACS for the year ended 30 June 2020.

ACS collected member contributions of \$962,520.00, of which \$577,148.00 was paid to ACS's Excess of Loss insurer. Excess of Loss (XOL) insurance is purchased in order to indemnify ACS in the financial protection it provides to members, by way of the Supplier Failure Chargeback (SFC) Benefit. The insurance is used to manage the ACS exposure to the financial risk of travel supplier failure, particularly in our early years until both the contribution base and loss patterns develop, following which ACS may retain risk and purchase less XOL insurance.

ACS had been growing membership and contributions in the year ending 30 June 2020 until the impact of Covid-19. The cessation of travel and April 2020 by-laws resulted in nil contributions from the period 1 April 2020.



ACS introduced special Covid-19 arrangements with key suppliers, which had the impact of reducing expenses. As a result, we report a profit of \$39,374.00 and the Annual Report provides further in-depth analysis of the financial performance for the reporting period.

Operational Report

In accordance with the by-laws introduced in April 2020, ACS is in hibernation until the impact of Covid-19 is clear and travel resumes. All Covid-19 claims have been ring-fenced and they will be assessed in January 2021. In the meantime, we remain committed to supporting our members through this extraordinary time.

I would like to acknowledge the significant contribution of members who sit on our Board and Committees, as well as the work carried out by our partners, AFTA and ATAS.



Charles Gow-Gates
Mutual Manager

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Financial Statements

For the Year Ended 30 June 2020

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Contents

For the Year Ended 30 June 2020

	Page
Financial Statements	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	15
Independent Audit Report	16
Schedules	19

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Directors' Report

30 June 2020

The directors present their report on AFTA Insolvency Chargeback Scheme Limited for the financial year ended 30 June 2020.

1. General information

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed/Resigned
Charles Gow-Gates	
Michael Thompson	
Andrew Olsen	Resigned 17 April 2020
Jayson Westbury	Resigned 16 May 2020
Katrina Barry	Resigned 21 April 2020
Kevin Forder	Resigned 30 April 2020
Thomas Frederick Manwaring	Appointed 21 August 2020

Principal activities

The principal activity of AFTA Insolvency Chargeback Scheme Limited during the financial year was to provide ATAS accredited travel agencies protection against consumer and debit and credit card chargebacks which results from supplier insolvency.

No significant changes in the nature of the Company's activity occurred during the financial year.

Members' guarantee

AFTA Insolvency Chargeback Scheme Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ NIL for members that are corporations and \$ NIL for all other members, subject to the provisions of the company's constitution.

At 30 June 2020 the collective liability of members was \$ NIL (2019: \$NIL).

Operating results

The Profit of the Company amounted to \$39,374 (2019: \$19,403).

New and revised accounting standards Implemented

The Company has adopted AASB 16: Leases from 1 July 2019 under the modified retrospective approach and therefore the comparative information continues to be reported under AASB 117. The new leases standard now requires to bring the majority of operating leases on-balance sheet. There are no changes to the Company's annual financial statements on adoption of AASB 16 because the Company has an undefined lease term month to month arrangement. The Company will continue to adopt AASB 117.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Directors' Report

30 June 2020

2. Other items

Significant changes in state of affairs

The spread of the novel coronavirus (COVID-19) was declared a global pandemic on 11 March 2020 by the World Health Organisation and is having a significant impact on both local and global communities and economies.

The Company has made an assessment of the COVID-19 pandemic impact on financial reporting and determined that the Association's revenues for the year and overall financial position as at 30 June 2020 have not been significantly impacted.

The Company has undertaken measures and precautions to ensure that it continues to operate and to protect staff and members as the COVID-19 pandemic continues to extend globally. Technology has facilitated effective communication whilst working from home, including video conferencing facilities. The Company also implemented a range of initiatives to protect staff and members including travel restrictions, social distancing protocols and guidelines for visitors.

Except for the above, there have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

As the COVID-19 pandemic continues to create uncertainty in both local and global communities and economies, the Company continues to consider the impact on its future operations and undertake appropriate measures and precautions in response.

Except for the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Meetings of directors

During the financial year, 7 meetings of directors and 3 risk and audit committee meetings were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Risk Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Charles Gow-Gates	7	7	3	3
Michael Thompson	7	7	-	-
Andrew Olsen	7	4	-	-
Jayson Westbury	7	7	3	3
Katrina Barry	7	7	-	-
Kevin Forder	7	7	3	3

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Directors' Report

30 June 2020

Indemnification and insurance of officers and auditors

During the financial year, the Company paid insurance premiums of \$15,000, to insure the Directors and Officers of the Company, against certain risks associated with their activities as Officers of the Company.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of AFTA Insolvency Chargeback Scheme Limited.

Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:

Director:

Dated this day of 2020

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of AFTA Insolvency Chargeback Scheme Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

DFK Laurence Varnay Audit Pty Ltd

Steven Heller
Director

Sydney

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	4	962,520	719,410
Excess of Loss Insurance		(577,148)	(566,107)
Gross profit		<u>385,372</u>	153,303
Other income	4	-	169,841
Administrative expenses		(188,479)	(287,299)
Other expenses	5	(157,519)	(16,442)
Profit before income tax		<u>39,374</u>	19,403
Income tax expense		-	-
Profit for the year		<u>39,374</u>	19,403
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>39,374</u>	19,403

The accompanying notes form part of these financial statements.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	160,541	177,181
Trade and other receivables	7	389	68,433
Other assets	8	103,912	282,962
TOTAL CURRENT ASSETS		<u>264,842</u>	<u>528,576</u>
TOTAL ASSETS		<u>264,842</u>	<u>528,576</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	110,034	220,703
Borrowings	10	503,092	695,531
TOTAL CURRENT LIABILITIES		<u>613,126</u>	<u>916,234</u>
TOTAL LIABILITIES		<u>613,126</u>	<u>916,234</u>
DEFICIENCY IN NET ASSETS		<u>(348,284)</u>	<u>(387,658)</u>
EQUITY			
Accumulated losses		<u>(348,284)</u>	<u>(387,658)</u>
TOTAL EQUITY		<u>(348,284)</u>	<u>(387,658)</u>

The accompanying notes form part of these financial statements.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Statement of Changes in Equity

For the Year Ended 30 June 2020

2020

	Accumulated losses	Total
	\$	\$
Balance at 1 July 2019	(387,658)	(387,658)
Profit attributable to members	39,374	39,374
Balance at 30 June 2020	(348,284)	(348,284)

2019

	Accumulated losses	Total
	\$	\$
Balance at 1 July 2018	(407,061)	(407,061)
Profit attributable to members	19,403	19,403
Balance at 30 June 2019	(387,658)	(387,658)

The accompanying notes form part of these financial statements.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Statement of Cash Flows

For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,209,615	767,999
Payments to suppliers and employees	(1,033,817)	(743,370)
Interest received	-	283
Net cash provided by operating activities	13 <u>175,798</u>	<u>24,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of financial assets	<u>(192,438)</u>	96,436
Net cash (used in)/provided by investing activities	<u>(192,438)</u>	<u>96,436</u>
Net (decrease)/ increase in cash and cash equivalents held		
	(16,640)	121,348
Cash and cash equivalents at beginning of year	<u>177,181</u>	<u>55,833</u>
Cash and cash equivalents at end of financial year	6 <u>160,541</u>	<u>177,181</u>

The accompanying notes form part of these financial statements.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers AFTA Insolvency Chargeback Scheme Limited as an individual entity. AFTA Insolvency Chargeback Scheme Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of AFTA Insolvency Chargeback Scheme Limited is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

Significant accounting policies adopted in the preparation of these financial statements are presented below.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(b) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

(c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Leases

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (cont'd)

(f) Leases (cont'd)

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Company has elected to apply the exceptions to lease accounting for both short-term leases and leases of low-value assets. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Going concern

Notwithstanding the Company's deficiency in net assets, the financial report has been prepared on the going concern basis. This basis has been adopted as the Company has received a guarantee of continuing financial support from members to allow the Company to meet its liabilities and it is the belief that such financial support will continue to be made available.

(h) Adoption of new and revised accounting standards

The Company has adopted AASB 16: Leases from 1 July 2019 under the modified retrospective approach and therefore the comparative information continues to be reported under AASB 117. The new leases standard now requires to bring the majority of operating leases on-balance sheet. There are no changes to the Company's annual financial statements on adoption of AASB 16 because the Company has an undefined lease term month to month arrangement. The Company will continue to adopt AASB 117.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Revenue and Other Income

	2020	2019
	\$	\$
- Insurance recoveries	113,738	10,919
- Member contributions	848,782	708,208
- Interest income	-	283
	<u>962,520</u>	<u>719,410</u>
- Other income	-	169,841
Total Revenue	<u>962,520</u>	<u>889,251</u>

5 Result for the Year

The result for the year includes the following specific expenses:

Other expenses:

- Consulting and professional fees	42,144	46,449
- Commission paid	115,356	10,561
- Insurance	10,000	8,176

6 Cash and Cash Equivalents

Cash at bank and in hand	<u>160,541</u>	<u>177,181</u>
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7 Trade and Other Receivables

CURRENT

Trade receivables	-	68,433
GST receivable	389	-

Total current trade and other receivables

<u>389</u>	<u>68,433</u>
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The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

8 Other Assets

CURRENT

Accrued income	(9,209)	169,841
Establishment & set up costs	113,121	113,121
	<u>103,912</u>	<u>282,962</u>

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT		
Trade payables	8,182	42,769
GST payable	-	8,092
Other payables	101,852	169,842
	110,034	220,703

10 Borrowings

	2020	2019
CURRENT		
Unsecured liabilities:		
Related party payables	503,092	695,531

11 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ NIL each towards meeting any outstandings and obligations of the Company. At 30 June 2020 the number of members was 629.

12 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2020 (30 June 2019: NIL).

13 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:		
Profit for the year	39,374	19,403
Cash flows excluded from profit attributable to operating activities		
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	68,044	(12,188)
- decrease/(increase) in accrued income	179,051	(108,781)
- (decrease)/increase in trade and other payables	(110,671)	126,478
Cashflows from operations	175,798	24,912

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Events after the end of the Reporting Period

As the COVID-19 pandemic continues to create uncertainty in both local and global communities and economies, the Company continues to consider the impact on its future operations and undertake appropriate measures and precautions in response.

Except for the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

15 Statutory Information

The registered office of the company is:

AFTA Insolvency Chargeback Scheme Limited
Suite 3, Level 31
31 Market Street
Sydney NSW 2000

The principal place of business is:

Suite G, 2 Geils Court
Deakin ACT 2600

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 14, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company.
2. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Director

Dated this day of 2020

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Independent Audit Report to the members of AFTA Insolvency Chargeback Scheme Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AFTA Insolvency Chargeback Scheme Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(g) in the financial report, which indicates that at 30 June 2020 the Company's current liabilities exceeded its total assets by 348,284. As stated in Note 2(g), these events or conditions, along with other matters as set forth in Note 2(g), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Independent Audit Report to the members of AFTA Insolvency Chargeback Scheme Limited

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

Independent Audit Report to the members of AFTA Insolvency Chargeback Scheme Limited

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DFK Laurence Varnay Audit Pty Ltd

Steven Heller
Director

Sydney

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

For the Year Ended 30 June 2018

Disclaimer

The additional financial data presented on page 20 is in accordance with the books and records of the Company which have been subjected to the auditing procedures applied in our statutory audit of the Company for the year ended 30 June 2020. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than AFTA Insolvency Chargeback Scheme Limited) in respect of such data, including any errors or omissions therein however caused.

DFK Laurence Varnay Audit Pty Ltd

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Steven Heller, Director

Sydney
27 October 2020

AFTA Insolvency Chargeback Scheme Limited

ABN 45 619 074 074

For the Year Ended 30 June 2020

Profit and Loss Account

	2020	2019
	\$	\$
Income		
Insurance recoveries	113,738	10,919
Member contributions	848,782	708,208
Interest income	-	283
Other income	-	169,841
Total Income	962,520	889,251
Less: Expenses		
Claims paid	115,356	10,561
Excess of loss insurance	577,148	566,107
Auditors remuneration - parent entity	12,000	12,000
Accounting fees	2,552	12,600
Administration and management fees	162,704	250,000
Bank charges	1,223	1,141
Computer expenses	-	82
Consulting and professional fees	42,144	46,449
Corporate insurance	10,000	8,176
Expenses payable to associates	-	(40,568)
Staff	-	3,300
Bad debts	19	-
Total Expenses	923,146	869,848
	1,885,666	1,759,099
Profit before income tax	39,374	19,403